



Congressman Jim Jordan (R-OH), Chairman

April 14, 2010

CBO: Federal Deficit at \$714 Billion Through First Six Months of FY 2010

According to CBO, the federal deficit is \$714 billion just through the first six months of FY 2010. To put this figure in perspective, prior to FY 2009, the highest *final* year deficit in American history was \$459 billion. The deficit for March of this year alone was \$62 billion. If deficit spending were to continue through the next six months at the same rate as the previous six months, the final FY 2010 deficit would end up at \$1.43 trillion, slightly above last year's \$1.41 trillion deficit. CBO estimates that, with enactment of the President's budget policies, the final FY 2010 deficit will amount to \$1.5 trillion.

Democrats May Not Consider Budget Resolution

Per the 1974 Budget Act, the deadline to pass a final budget resolution is April 15th. This is a deadline that Congress often fails to meet. On four occasions, though the House still passed a budget, a final budget resolution failed to pass both the House and Senate. This year, House Democrats may not bring a budget resolution to the House floor at all. Since the modern congressional budget process began, the House has never failed to pass a budget resolution.

According to Rep. Hoyer (D-MD), "it is difficult to pass budgets in election years because, you know, they reflect what is the status. And the status of this country was brought into deep debt by the economic policies of the Bush administration."

In point of fact, when Democrats took control of Congress in 2007, they inherited a projected ten-year surplus of \$800 billion. In just over three years, that projected surplus has turned into a ten-year projected deficit of \$9.7 trillion. This is a \$10.5 trillion worsening of the budget outlook since the Democrats took control of Congress. The quote above from Representative Hoyer suggests that he has an unfavorable verdict of the Democrats' budget and economic policies of the previous three years. But if House Democrat leaders are embarrassed about the impact of their budget policies over the previous three plus years, this may still not be a sufficient excuse to fail to even consider a budget resolution. Furthermore, the real reason that the Democrats may not bring forward a budget resolution is because they cannot come up with a plan that shows a route to sustainable fiscal policies at *any* future date. The President's budget, for example, proposes \$11.2 trillion of new deficit spending over the FY 2010-2020 period. The lowest deficit under the President's budget submission is 4.1% of GDP, which by the administration's own admission, is not sustainable.

Quote of the Week:

"Politicians use the tax code to encourage things they like, such as driving hybrid cars, and to discourage things they don't like, such as work."

-Economist Editorial, 4/08/10

Americans Work 99 Days to Pay Their Taxes in 2010

April 9, 2010 was Tax Freedom Day—the day the Tax Foundation calculates Americans have finally earned enough money to pay their tax bills for the year and can start to work for themselves. The Tax Foundation calculates that Americans will work 99 days this year for the government, which is longer than Americans will work for food, clothing, and housing combined. As great as this tax burden is, it is not sufficient to cover government spending. That figure, the cost of government spending, would lead to Americans working for the government for 137 days—or until May 17th.

Paul Volcker Endorses Value Added Tax (VAT)

Last week, Paul Volcker, Chairman of the President's Economic Recovery Advisory Board, endorsed the creation of a Value Added Tax (VAT). He went on to state: "If at the end of the day we need to raise taxes, we should raise taxes." This is a possible indication of what Democrat appointees to the President's "Fiscal Responsibility Commission" may support as part of that commission's recommended solutions to the budget outlook.